



Rodney's Take

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Student Loan Forgiveness Comes Back Around

As Joe Biden gets closer to measuring the Lincoln Bedroom for window treatments, pundits are turning their thoughts to his first hundred days. With Republicans likely to pick up at least one of the Senate seats up for grabs in Georgia, Biden will have to deal with a split Congress, which will take away many progressive initiatives that require legislation. But Biden still will be able to use executive orders, which is how student loans make their way into the picture.

Since the 2000s, the U.S. government has been the main source of student loans. The Department of Education has wide latitude in determining loan eligibility and repayment. The department, at the direction of the president, can choose to forgive entire swaths of debt with the stroke of a pen. Economic lockdowns are still the norm and unemployment is near 7%, yet Biden supports the idea of forgiving up to \$10,000 in student loans for every borrower.

Hmm.

Remember, these 45 million borrowers include doctors, lawyers, bankers, social workers, people who did not graduate, Starbucks baristas, and a host of other Americans from every walk of life. What the group does not

include is people who never attended college, which means the majority of the population.

I wrote about this in July when student loan forgiveness was being considered as part of a stimulus package. I did not agree with it then, and I don't agree with it now. Borrowing is a voluntary arrangement. Borrowing for education is a self-promoting act, although not in a bad way. But making bad choices and suffering bad circumstances afterward doesn't rise to a level that requires public assistance.

If we're looking to use the public purse to help people, there are better ways.

In terms of assisting people with debt, why not send \$10,000 to every homeowner with a mortgage? The program would obviously favor homeowners, but that's 65% of the 128 million households. Of those, roughly 75% have mortgage debt, so we're still talking about more than 60 million households. That would reach a lot more people than the student loan program.

If it seems too generous to give money to homeowners, people who, like those with college educations, appear to be on the right track for building wealth, then why not send \$10,000 to everyone with an auto loan? This would reach 100 million people, many of whom must have a car to get to work, and would cross all lines of income and education. It would favor rural and suburban Americans over urban dwellers, but hey, there's always a line, right? Besides, don't you want to help your neighbor pay for his Tesla or his jacked-up F150 4x4 while you drive around in an 8-year-old, paid-off sedan?

As I wrote months ago, student loans are voluntary choices people make to take on debt. Tapping into the U.S. Treasury to pay them off, or at least to

make a dent in the debt, is favoring one group over another with little justification. Just because the president can act unilaterally when it comes to student loan debt doesn't mean that he should.

If we're looking for a type of personal debt to pay off, one that people rarely choose and can often lead to disastrous financial consequences, we should consider medical debt. More than 130 million Americans carry medical debt. It's the top reason that people tap into their retirement accounts before they retire, and last year medical debt was the main driver in 66% of all personal bankruptcies. Medical issues don't discriminate, and people don't take out medical debt to get ahead in life or to show off to their neighbors. The president can't address this issue by executive order, but at least it seems more just than giving cash to a minority of Americans who, for the most part, used the money to put themselves in a better position for higher earnings.

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Got a question or comment? You can contact us at info@hsdent.com.